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## **Former governor settles case for nearly \$11 million**

**FRANKFORT, Ky.** - Kentucky Insurance Commissioner George Nichols III announced today that he has settled two lawsuits late this afternoon with former Gov. Wallace Wilkinson, recovering \$10.95 million in cash and property on behalf of the insolvent Kentucky Central Life Insurance Co.

In addition to the \$10.95 million, Wilkinson released Kentucky Central from any financial liability on Park Plaza apartments in Lexington, an obligation involving potential exposure up to \$11.9 million.

"This is a significant settlement because it recovers damages from a bad deal that hurt policyholders, creditors and shareholders of Kentucky Central Life," Nichols said. "It recovers almost \$11 million when we had already lost one of these cases in court and were facing a costly and an uncertain appeal."

Here are key highlights of today's settlement:

- Wilkinson will pay \$9.35 million in cash to Kentucky Central to cover bonded debts on the Park Plaza apartments in Lexington and he releases Kentucky Central from any future liability on the debt. Kentucky Central was a guarantor responsible for up to \$11.9 million in debts on Park Plaza's bonds. This obligation was higher than the actual value of the property. With today's settlement, Nichols is collecting \$9.35 million in cash on behalf of Kentucky Central policyholders, creditors and shareholders and is released from any liability on the debt. This also ends protracted litigation.
- In addition, Wilkinson will transfer another \$1.6 million worth of property to Kentucky Central involving 16 condos on the upper two floors of what is now known as the Holiday Inn Capital Plaza in Frankfort. Nichols had sued Wilkinson and challenged why Kentucky Central's former president paid Wilkinson \$12 million in 1987 for a hotel then worth approximately \$6 million and was known to be losing money. This ends a second lawsuit that was on appeal. It is anticipated the transfer of the 16 condos will immediately generate additional rental income of at least \$60,000 a year for Kentucky Central.

"We are getting immediate cash and property today for bad deals that Kentucky Central made 12 years ago," Nichols said. "We lost this case in the lower court and were facing an uncertain and expensive appeal on the Holiday Inn issue. We now have \$1.6 million in property from Wilkinson, and Kentucky Central can sell the Holiday Inn at today's market value. We have every reason to believe that we are going to totally recover from the deal Kentucky Central struck with Wilkinson in 1987."

As insurance commissioner, Nichols is responsible for overseeing one of the nation's largest insurance insolvencies and liquidations. Kentucky Central, a Lexington-based company, was declared insolvent and ordered into liquidation in August 1994.

"With this settlement, we exceed \$80 million in recoveries in just three months, resolving very favorably the most significant assets held by Kentucky Central," Nichols said. In addition to nearly \$11 million from Wilkinson, another \$72 million was recovered from the sale of Kincaid Towers on Feb. 17 and from settlement in December with the Dutch bank, ABN AMRO, which had an ownership interest in the towers.

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### Timeline

- **Spring 1987:** Wallace Wilkinson wins Democratic primary for governor.
- **Summer 1987:** Wilkinson asks for attorney general's opinion about his ownership of the Holiday Inn in Frankfort.
- **Sept. 28, 1987:** Attorney general rules Wilkinson should sell.

- **November 1987:** Wilkinson wins election as governor.
- **Nov. 30, 1987:** Kentucky Central Life contracted to buy the Holiday Inn for \$12 million, agreeing to assume \$8.2 million in debts and pay an additional \$3.8 million, according to court records. According to Nichols' later lawsuit against Wilkinson, the property was worth approximately \$6 million.
- **February 1993:** When Kentucky Central first went into rehabilitation.
- **May 1, 1993:** The bonds financing Wilkinson's Park Plaza apartments in Lexington go into default.
- **March 1994:** Then-Insurance Commissioner Don Stephens sues Wilkinson and his wife regarding personal guarantees on the Park Plaza bonds.
- **August 1994:** Kentucky Central is declared insolvent and ordered into liquidation.
- **April 1996:** George Nichols III is appointed as insurance commissioner and assumes responsibility as liquidator of Kentucky Central.
- **Dec. 11, 1997:** Franklin County Circuit Judge Earl O'Bannon dismisses the lawsuit of *George Nichols vs. Wallace G. Wilkinson* on summary judgment, ruling the Holiday Inn deal may have the "odor of politics," but Wilkinson did not knowingly participate in Kentucky Central's breach of fiduciary duty. The Kentucky Department of Insurance appealed this ruling and the appeal was still pending.
- **Today:** Commissioner Nichols, acting as liquidator for Kentucky Central, accepts a settlement of \$10.95 million from Wilkinson, effectively making moot the pending appeal on the Holiday Inn case and the other lawsuit involving Park Plaza.

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